

Message Text

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43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01 USIA-15

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R 141045Z MAR 75

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 1348

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY LONDON

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E. O. 11652: N/A

TAGS: CPRS PFCR EINR EINU ETRO CY TU

SUBJECT: AMERICAN OIL COMPANIES OPERATING IN CYPRUS

REF: A. NICOSIA 0718

B. ANKARA 1427 (NOTAL)

1. FOLLOWING IS BACKGROUND INFORMATION GATHERED RECENTLY FROM REPRESENTATIVES OF US OIL COMPANIES OPERATING IN CYPRUS.

2. OPERATIONS IN NORTH: MOBIL HAS 23 STATIONS IN THE NORTH, ESSO 21. THEY REPORT ABOUT ONE-THIRD OF THEIR STATIONS ARE BEING OPERATED BY FEDERATED TURKISH CYPRIOT STATE (FTCS) WITHOUT CONSENT OR SUPPORT OF COMPANIES. STATIONS OPERATING UNDER TWO SYSTEMS: A) A FEW STATIONS ARE RESERVED FOR OFFICIAL VEHICLES ONLY, AND B) BALANCE SERVES MUCH REDUCED MOTORING PUBLIC. LATTER STATIONS OPERATE UNDER A CUSTODIANSHIP SYSTEM WHEREBY UNCLASSIFIED

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A LOCAL TURK CYPRIOT RUNS STATION WITH FUEL COMING FROM TURKEY

AND PAYS A CUSTODIAN FEE LEVIED BY FTCS. MOBIL AND ESSO SAY THEY HAVE MADE REPRESENTATION TO FTCS ON THIS UNAUTHORIZED USE OF THEIR PROPERTY AND HAVE INSISTED THEY DO NOT CONSIDER CUSTODIANSHIP ARRANGEMENT AS CONSTITUTING CHANGE OF OWNERSHIP. OIL COMPANIES CLAIM THEY ARE CONTINUING TO PAY RENT TO THE PRE-SUMMER 1974 LAND OWNERS, BE THEY GREEK CYPRIOT OR TURK CYPRIOT.

2. GOC PRICING POLICY FOR POL: GOC LAST MONTH INCREASED POL PRICES BY 2.7 PERCENT FOR REGULAR GASOLINE, 38 PERCENT FOR KEROSENE AND 44 PERCENT FOR BUNKER-C/HEAVY DIESEL. PREVIOUS PRICE HIKE WAS IN OCTOBER LAST YEAR AT WHICH TIME GOC TOLD OIL COMPANIES IT WOULD PERMIT FURTHER PRICE RISE TO ALLOW ADEQUATE PROFIT RETURN AS HAD BEEN CASE ON CYPRUS BEFORE THREE-FOLD CRUDE PRICE INCREASE. MOBIL AND ESSO REPORT GOC HAS ASKED THEM TO ACCEPT "1975 REALITY" OF DIFFICULT ECONOMIC SITUATION ON CYPRUS WHICH, FOR OIL COMPANIES, MEANS A BREAK-EVEN OPERATION. COMPANIES HAD EXPECTED MINIMUM 4 PERCENT RETURN ON SALES.

3. ESSO ATTITUDE: MR ROY CARTER, ESSO V-P, EXPLAINED ESSO POINT OF VIEW TO EMBOFFS MARCH 11. CARTER CLAIMS THAT NO OIL COMPANY NEED OPERATE AT A LOSS IN CYPRUS; IF ONE DOES, THIS CAN BE ATTRIBUTED EITHER TO BAD MANAGEMENT OR TO PECULIARITY OF ACCOUNTING METHODS. ADMITTED THAT ESSO CRUDE COSTS ARE LESS THAN FOR MOBIL BUT EXPLAINED THAT GOC HAD ALWAYS IN PAST BEEN GENEROUS PROFIT-WISE WITH OIL COMPANIES AND HAD FACILITATED REPATRIATION OF PROFITS IN SUITABLE FX. ESSO ACCEPTS REDUCED PROFITABILITY FOR 1975 BUT VIEWS FUTURE OF CYPRUS ECONOMY IN POSITIVE LIGHT AND EXPECTS ERA OF PROFITS TO RETURN.

4. COMMENT: WE UNDERSTAND FROM LOCAL REPS THAT ESSO HAS NO OPERATIONS IN TURKEY WHILE MOBIL IS HIGHLY INVOLVED. EMBASSY BELIEVES MOBIL IS IN SOMEWHAT MORE DIFFICULT POSITION IN NORTH PART OF CYPRUS THAN ESSO AND IN ADDITION IS SENSITIVE TO ITS VULNERABILITY VIS-A-VIS THE TURKISH GOVERNMENT. MOBIL HAS INFORMED US PRIVATELY THAT IT EXPECTS TO TAKE SMALL LOSS ON GROSS CYPRUS OPERATION THIS YEAR.
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